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Issued January 1985

Reassessing Life Insurance Needs

By Frankie N. Schwenk
Home economist

Life insurance began as term insurance. Whole life insurance was developed in 18th-century England to smooth out the steeply graduated premium schedules of term insurance and to provide a savings feature. It remained dominant until the sixties and seventies, when the inflation rate was greater than the return on the savings portion and people began to buy term insurance and invest the difference. In response, insurance companies developed new types of policies providing higher yields to enhance the savings feature. Variable life was introduced in 1976, and universal life was marketed in 1979 (7).

With the advent of these new policies, it is timely that families reevaluate the role that insurance plays in their protection and investment strategies. Also, as more families become two-earner families, their need for income protection changes.

SAVINGS ASPECT OF LIFE INSURANCE

Universal and variable life insurance policies have a split premium, with one portion going for the death benefit and the rest into a separate account that is placed in investments expected to provide higher returns than those of whole life policies. Universal life insurance allows policyholders to change the death benefit and vary the amount or timing of premium payments. Variable life has a variable death benefit but fixed premiums (1). Both have experienced quick acceptance among purchasers. Universal policies in force leaped from $5 billion in 1981 to $40 billion in 1982 to $124 billion in 1983 (2).

Other new products include variable premium and adjustable life insurance. Variable premium policies have premiums that decrease as inflation rises. Adjustable life insurance allows adjustment of the face amount, premium, or length of the protection period. It also permits a switch from term insurance to whole life or vice versa.

An attractive feature of the new policies is the potential return. Universal life often offers a return of 8 percent to 12 percent, considerably more than the 5 percent interest frequently available with whole life insurance (8). The cash value buildup in universal life policies is not taxed unless the money is withdrawn, and when the policyholder dies, money paid to the beneficiary is not subject to income taxes. Thus, the after-tax return of universal policies may be competitive with other savings and investment opportunities; however, the fees may make universal life policies inappropriate for families with small policies or little need to shelter income. Fees vary considerably among companies as do withdrawal options and penalties.

With the popularity of the new products, some consumers may cash in old policies to purchase new types. Voluntary terminations have increased from 7 percent of existing policies in 1978 to 10 percent in 1982. Determining whether cashing in an old policy is financially advantageous requires information on the particular policies involved. Formulas to assist families in the calculations of the yearly rate of return on the saving portion of a cash-value policy (6) and the annual price of the insurance protection of an existing policy (5) are available from Joseph M. Belth, professor of insurance at Indiana University.[1]

Surrendering of old policies combined with increased loan demands of policyholders could strain cash reserves of insurance companies. Also, managing investments with higher returns than those made with whole life policies requires a new set of talents and skills and provides less certainty, making management of the new policies more difficult for companies. Competition is increased as product lines are expanded and insurance is sold by mass marketers, brokerage houses, banks, and thrifts. There are higher costs in selling the new types of policies because agents must be trained and may need to have a license to sell securities. If a company does experience financial

[1]Joseph M. Belth, c/o Insurance Forum, Inc., P.O. Box 245, Ellettsville, IN 47429.

distress, there is no Federal agency to rescue it or to insure policyholders against loss. The insurance industry is regulated by the States, which monitor companies and may or may not have early warnings of companies in financial distress.

Although there has been a major increase in term insurance, from 41 percent to 59 percent of new nongroup purchases in the seventies (fig. 1), cash value policies still accounted for 58 percent of nongroup policies held in 1981. The popularity of new types of cash value policies may contribute to the growth of savings policies.

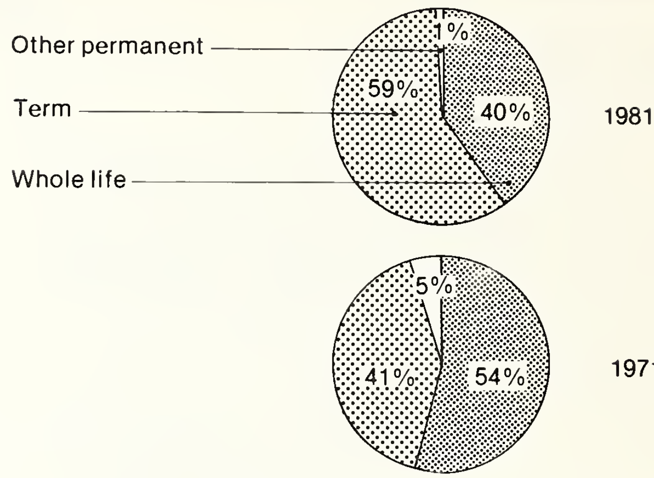
It is important to note that total holdings of families include not only the policies discussed above but also group insurance (almost totally term insurance) available to them through employment or other sources. Group insurance accounted for 46 percent of life insurance held in 1982, an increase from 23 percent in 1952. Family decisions related to group insurance are fewer. Usually, the employer or group makes the choice of company, price, and type of policy; the family may or may not have choices about whether to participate and the size of the policy.

PROTECTION ASPECT OF LIFE INSURANCE

Methods for Determining Life Insurance Needs

Two of the standard methods for determining life insurance needs are the multiple earnings approach and the needs approach. Using the multiple earnings approach, gross annual earnings are multiplied by a number to estimate the recommended level of insurance. The multiplier varies according to the financial source and ranges from a low of 3 to a high of 10. This approach may be modified to incorporate additional factors. Table 1 presents a multiple earnings approach where the multiplier depends on the age of the insured, gross annual pay of the individual, expected social security benefits, and a decision to replace 75 percent of the insured's earnings after taxes (10). In general, families and individuals hold less life insurance than that suggested by this approach. In 1982 the median family income was $23,433. The average amount of life insurance in force was $49,300 per

Distribution of Life Insurance Purchases



Other permanent includes endowment and retirement income policies.
Sources: Life Insurance Marketing and Research Association and American Council of Life Insurance.

Figure 1

Table 1. *Multiple earnings table to estimate life insurance needs*[1]

Gross annual pay (dollars)	Age of insured 30	40	50
7,500	5.3	7.3	7.9
9,000	5.1	7.0	7.8
12,000	5.0	6.7	7.6
15,000	4.9	6.7	7.4
20,000	4.9	7.4	7.3
30,000	7.4	8.4	7.2
40,000	8.4	8.6	6.9
60,000	9.0	8.4	6.5

[1]This table can be used to estimate the amount of life insurance needed to provide a typical family of 4 with income equal to 75 percent of lost earnings after taxes. Social security benefits are taken into consideration when estimating income needs.

Source: The Bankers Life Insurance Company, 1980, A Consumer's Guide to Buying Life Insurance, Des Moines, IA.

family ($57,300 per insured family), about twice the median family income. In a study of 191 young couples in a University of Illinois Panel Study on Consumer Decisions and Asset Management, the median ratio of the face value of their 1979 insurance holdings to annual incomes was 1.5. While the usual multiple earnings approach does not consider other assets or unique financial obligations a family has, it is simple to use.[2]

The needs approach is different in that it provides for estimates of immediate expenses and income needs over the family life cycle, and takes into account resources that the family already has. It also includes an estimate of the return on investing the insurance benefit. Table 2 illustrates this approach. The first four lines indicate needs for immediate expenses upon the death of a spouse and special funds. Line 5 estimates living expenses and income for three stages of the life cycle of the survivor--children at home, no children at home, and retirement. Line 6, the sum of lines 1 to 5, indicates monetary needs. Currently held assets that could be used to meet these needs are recorded on line 7 and subtracted to produce the amount of life insurance needed (line 8). A refinement could be added to the chart. If the beneficiary invests the life insurance proceeds at a rate higher than inflation, the difference between yield on the insurance proceeds and inflation of living expenses reduces the amount of life insurance required. Calculations are based on estimates of the life expectancy of the spouse and assumptions about investment and inflation rates. Charts and explanations are available in insurance or family finance books (3).

The needs approach is a more comprehensive method for determining life insurance needs than the multiple earnings approach,

[2] This approach is also used for determining the amount of life insurance an employer offers as an employee benefit. The multiplier can be as low as 1.

Table 2. *Needs approach table to estimate life insurance needs*

1. Funeral, estate taxes, etc.		________
2. Payment of debts		________
3. Emergency fund		________
4. College fund		________
5. Net income needs (a+b+c)		________
a. Children at home Annual income needs (Expenses - Survivor's income - Soc Sec) X Number of years	________	
b. No children at home Annual income needs (Expenses - Survivor's income) X Number of years	________	
c. Survivor retired Annual income needs (Expenses - Survivor's pension - Soc Sec) X Number of years	________	
6. Monetary needs (1+2+3+4+5)		________
7. Investment assets		________
8. Life insurance needs (6-7)		________

but also requires that the family assess its current and potential situations. For example, the family will need to estimate the expenses and incomes in line 5. To estimate family expenses in the event of the death of the insured requires the family to evaluate its current expenses, what level of living it desires to maintain, and changes in household production. If a spouse dies, expenditures will be less than present expenditures because there is one less family member to provide for and taxes will be lower since income will be lower (assuming the deceased member was earning income). Some expenses will be higher because of loss of household production of the deceased and decreased household production of the survivor if he or she enters the labor force after the death of the spouse.[3] A common guideline that includes some of these factors estimates living expenses upon death of the spouse as 50 to 75 percent of gross income (12). In table 2, the survivor's income in section 5 is known if he or she is employed, and is estimated if not employed. Social security benefits are generally available if children are at home. Section 5b is for estimates of expenditures when the children are grown. Expenses will be less, but social security benefits are no longer available. Section 5c estimates expenses and retirement income of the survivor.

Application of Methods to Alternate Family Situations

Life insurance is carried on individuals. Needs will vary according to employment situations of the adults in the family. When wives enter the labor force, life insurance needs on both the husband and wife may change.

Need for insurance on the wife when wife becomes employed. Both the multiple earnings approach and the estimated needs approach suggest that insurance on the wife should be greater when the woman is employed than when she is not because her earnings, as well as her household production, need to be insured. Using the multiple earnings approach, the need for insurance would be the multiplier (such as 3 or 6) times her earnings. Using the needs approach, immediate expenses, special funds, and living expenses upon death of the wife would be estimated and adjusted based on the husband's earnings and the family's assets.

Women are in fact carrying more nongroup life insurance than in previous years, perhaps partly due to increased employment. The average size nongroup policy on women increased 205 percent, compared to 154 percent for men, between 1971 and 1981. The proportion of the face value of new policies purchased by females has risen also in the last decade, as shown in figure 2. In addition, women may carry group life insurance since employers often offer insurance as an employee benefit.[4]

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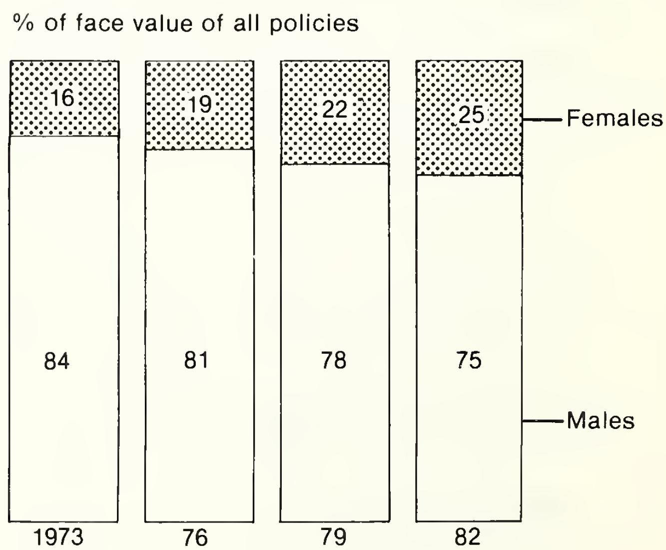
[3] Estimates indicate that husbands contribute about 2 hours a day to household productivity. Household work time of nonemployed wives with children ages 6 to 17 is 7 hours, compared with 5 hours for employed wives (9).

[4] The increase in women's share of the purchases comes at a time when there is debate about appropriate pricing of life insurance for men and women. A proposed Senate bill would prohibit discrimination in the writing and selling of insurance contracts, making it unlawful for men and women to be charged different premiums.

Life Insurance Purchased for Males and Females



Source: American Council of Life Insurance.

Figure 2

Need for insurance on the husband when wife becomes employed. The amount of insurance recommended on the husband depends on which guideline is used. When a wife becomes employed, there is no change in the recommended coverage on the husband when using the multiple earnings approach.

The needs approach may produce a recommendation for increased insurance on the husband if the wife is employed. Estimated living expenses may be higher than when she was not employed, and the wife's human capital is already utilized and can not be used to replace the husband's income if he dies. Living expenses probably are higher when the wife is employed since the family may have mortgage payments and other commitments based on the combined income. The estimates of survivor's income would be similar whether she was employed or was not employed but planning to work if widowed. For example, if a husband earns $25,000 and his wife is not employed but could earn $15,000, her potential income would cover 60 percent of the family earnings. If, however, he earns $25,000 and she earns $15,000, their expenditures may rise to equal their $40,000 income and her earnings would then cover only 38 percent of the family earnings. If expenses of the survivors are estimated to be 60 percent of their present income, the estimated expenses minus survivor's income would be zero when the wife was not employed (60 percent of $25,000 minus $15,000). Her potential earnings could match the expected expenses upon death of her husband. If she were employed and estimated expenses were $24,000 (60 percent of $40,000), $9,000 a year would need to be provided by insurance or some other source to supplement her $15,000 income. This increased insurance may be another hidden cost of employment that families need to consider in deciding whether the wife will become employed.

Yet, these guidelines may not tell the whole story. The two-earner family may feel less need for insurance on the husband because it views the sharing of earning responsibilities as one way to spread the risk of family income being lost through unemployment or death of a spouse. Two-earner families have higher incomes so may be more willing or able to reduce their level of living upon the death of the spouse. They may have savings and investments that reduce the need for protection. Also, the wife has employment, so her earning power is known and established. Some two-earner families may start with the wife's earnings to calculate their insurance requirements. Rather than asking what it would take to provide their level of living if the husband died, they approach it from the questions, "Can the family live on the wife's income? If not, how much more is needed?"

HOUSEHOLD CHARACTERISTICS OF INSURANCE HOLDERS

Premiums paid and the amount of life insurance held are related to household characteristics. Results from two studies conducted in the Family Economics Research Group indicate that household characteristics explain about 20 percent of insurance behavior. Multiple regression analysis of data from 19,975 households in the Consumer Expenditure Survey of 1972-73 indicated that higher income, home ownership, and higher education of the household head were related to larger expenditures on life insurance premiums. Families (especially those with husband, wife, and children over 6 years old) had higher premium payments than single persons. Data from the Illinois Panel Study of Consumer Decisions and Asset Management (11) included 146 young couples who had been married in 1968 and who were asked in 1979 about their attitudes, management practices, and insurance holdings. A multiple regression analysis revealed specific family characteristics that were related to higher total face value of life insurance holdings: Higher education of the husband, larger insurance holdings before marriage, the husband as financial officer of the family, use of a budget, more children, and higher net assets.

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Employee Benefits

By Colien Hefferan
Economist

Employer-provided benefits, such as paid vacations, health insurance, pensions, and tuition waivers, have accounted for a growing portion of employee compensation since World War II. These benefits have become critical to families as they strive to meet their goals, including financial security, comfortable retirement, and education of children.

Growth in employee benefits as a form of compensation has also raised several important issues. First, there is concern that growth in benefits has occurred at the expense of growth in wages and salaries and, consequently, has slowed expansion in the taxable income base. Second is the issue of equity in the distribution of benefits among workers of different sexes, wage and salary levels, and occupational groups. Finally, there are issues of ownership and continuity of benefits, including questions about vesting pension rights and provision of health insurance during periods of unemployment.

This article examines trends in employee benefits and their contribution to family financial security. Both the level and extent of coverage of different types of benefits are reviewed. It also explores alternate perspectives on the issues that are raised as employee benefits grow in importance.

TRENDS

Employers originally established benefit programs to assure a stable and healthy work force, control retirement decisions, and generate worker loyalty. In the post World War II period, however, benefit programs have grown in response to policies and conditions outside the direct control of employers. These include intermittent wage controls (which make benefits the only "manageable" component of compensation), changes in the U.S. tax code, and court

rulings establishing the role of organized labor in negotiating benefits as well as wages.[1]

Consequently, employee benefits have grown from 12.6 percent of compensation in 1950 to 28.5 percent in 1983 (table 1). This growth is attributable to many factors, including the introduction of new types of benefits and benefit plans, rising benefit levels for existing plans, expansion in the share of the workforce receiving benefits, and increases in benefit costs exceeding increases in the costs of other direct compensation.

Employee benefits can be categorized into two broad groups: Compensation for time not worked, such as paid holidays, vacations, and sick leave; and nonwage compensation. Nonwage compensation can be further subdivided into benefits that are legislatively mandated, including social security premiums,

[1]These culminated in the 1949 U.S. Supreme Court decision which upheld an earlier ruling by the National Labor Relations Board (NLRB) that employers were required to negotiate the terms of pension plans (Inland Steel v. NLRB).

Table 1. ***Employee benefits, 1950-83***

Compensation	1950	1960	1970	1980	1983
			Billions of dollars		
Total compensation	$154.8	$294.9	$612.0	$1,599.6	$1,990.2
Wages and salaries	147.0	271.9	548.7	1,356.6	1,664.1
Time worked	135.2	243.9	482.9	1,169.4	1,424.9
Time not worked	11.8	28.0	65.8	187.2	239.2
Nonwage compensation	7.8	23.0	63.3	243.0	326.1
			Percentage of total compensation		
Total benefits	12.6	17.5	21.1	27.0	28.5
Wages for time not worked	7.6	9.5	10.8	11.7	12.0
Nonwage compensation	5.0	7.8	10.3	15.3	16.5
Legislatively mandated	2.4	3.6	4.4	6.4	6.7
Social security	0.8	1.9	3.0	4.2	4.7
Unemployment compensation	1.0	1.0	0.6	1.0	0.9
Worker's compensation	0.6	0.7	0.8	1.2	1.1
Contractual agreements	2.6	4.4	6.0	8.9	9.8
Government pensions	0.7	1.2	1.3	1.8	1.8
Private pensions and profit sharing	1.1	1.6	2.1	3.5	3.7
Health insurance	0.5	1.1	2.0	3.1	3.8
Life insurance	0.2	0.4	0.5	0.4	0.4
Other	0.1	0.1	0.1	0.1	0.1

Sources: Primary source is Munnell, Alicia H., 1984, Employee benefits and the tax base, New England Review, January/February issue, pp. 39-55. Revised and updated using data from U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, revised estimates of the national income and product accounts, Vol. 64, No. 7.

unemployment compensation, and worker's compensation; and benefits that are contractual agreements between employers and employees, including pensions and insurance.

There have been substantial increases in each category of benefits since 1950. Nonwage compensation has grown at a much higher average annual rate (3.8 percent) than compensation for time not worked (1.5 percent), however.[2] Contractual benefits, particularly health insurance and to a lesser extent, pensions, led the growth in nonwage compensation increasing at a 4.3 percent average annual rate.

Compensation for Time Not Worked

Workers get time off with pay in many forms from short daily rest breaks to long annual vacations. In 1950 the pay workers received for this nonworking time comprised 7.6 percent of their compensation; today it comprises about 12.0 percent.

Paid holidays and vacations are the most common forms of compensation for time not worked (table 2). In a 1983 survey of employee benefits in medium and large firms, the U.S. Bureau of Labor Statistics (BLS) found that holidays and vacations were provided to almost all employees.[3] The average number of annual holidays was 9.8. The annual amount of vacation time varied with length of service from 8.7 days after 1 year of service to 20.5 days after 20 years of service (10).

Two-thirds of workers in the BLS survey were covered by paid sick leave. The amount of sick leave varied considerably with the design of the benefit plan. Some plans grant leave on a per year basis; others on a per disability basis. Yearly based plans usually provided fewer days of leave than did disability-based plans, although in many of the former, leave could be carried over from prior years.

Compensation for time not worked varied among different types of employees. For example, production employees were only half as likely to have paid sick leave (42 percent) as were professional and administrative employees (92 percent) (10). Production employees were more likely, however, to have paid lunch periods and rest time than were professional and administrative employees.

In recent years there has been little growth in the proportion of the work force receiving most forms of paid leave.[4] Growth

[2] Growth rates are calculated from data presented in table 1.

Table 2. *Percentage of full-time employees receiving compensation for time not worked, medium and large firms, 1983*

Benefit	Percent
Paid	
Holidays..............	99
Vacations.............	100
Sick leave............	67
Lunch period.........	11
Rest time.............	74
Personal leave........	25

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1984, Employee benefits in medium and large firms, 1983: More employees helped pay health insurance premiums in 1983, News, USDL 84-194.

[3] The BLS annual surveys of employee benefits in medium and large firms, which were initiated in 1979, are one of the only sources of data on compensation for time not worked. Although the surveys do not include all types of employers, trends identified reflect broad national patterns of benefits (4).

The Chamber of Commerce of the United States also conducts annual surveys of benefits, including compensation for time not worked. The sample in their surveys comprises manufacturing, service, and retail firms wishing to participate and covers only wage rate workers. Although comprehensive, it is not designed to be nationally representative (2).

[4] The BLS surveys do show a slow increase in the extent of coverage of one type of leave--personal leave--from 19 percent of the workforce in 1979 to 25 percent in 1983 (4,10).

in compensation for time not worked, therefore, is primarily the result of increases in the amount of paid leave available to workers. This growth in paid leave coupled with increasing use of flexible work schedules have given workers not only more leisure but also more control over when it is used.

Nonwage Compensation

Nonwage compensation has increased from 5.0 percent of total compensation in 1950 to about 16.5 percent in 1983. This year employee benefits, excluding compensation for time not worked, will cost more than $350 billion.

Part of the sustained growth in nonwage compensation is the result of Federal legislation creating medicare and expanding coverage of the social security system to include almost all workers, raising the salary base on which employers are to pay social security taxes, and increasing the social security tax rate. In 1950 employers paid 1.5 percent of the first $3,000 each employee earned to support social security. In 1984 employers were responsible for the combined social security and medicare tax of 7.0 percent of wages and salaries up to $37,800 for each employee.

Worker's compensation, another legislatively mandated benefit, has also increased as a percentage of total compensation since 1950. Most of this increase is the result of rising medical costs.

In contrast to social security and worker's compensation, unemployment compensation has remained a stable component of nonwage compensation. It varies primarily with the business cycle and not as the result of new legislative initiatives. In fact, while unemployment compensation has been extended to a larger portion of the work force in recent years, benefits have declined as a percentage of earnings. Consequently, employer costs for this benefit have not increased as rapidly as wages and salaries.

Much of the growth in nonwage compensation has been in the area of contractual benefits. Specifically, employer contributions to health insurance are the fastest growing component of employee benefits. In 1983 health insurance benefits comprised 3.8 percent of total compensation, compared with 0.5 percent in 1950. This growth is the result of expansion in worker and dependent coverage, improved benefits in many plans, and persistent inflation in health care costs.

More than three out of five workers (about 62 percent) were covered by employer- or union-provided health insurance in 1982 (table 3). Full-time, full-year workers are most likely to have health insurance benefits, although an increasing portion of the part-time work force is covered.

Workers in medium and large firms are more likely to have health benefits than the work force as a whole. Ninety-six percent of the workers in the 1983 BLS employee benefits survey received health insurance benefits, almost two-thirds at no cost to the employee.[5] A similar percentage were provided health care insurance for their dependents. Most of the participants were covered through major medical plans.

In recent years there has been growth in coverage for dental and vision care as part of the benefit plans offered to employees. For example, the BLS surveys indicate that participation in dental insurance increased from 48 to 71 percent of employees between 1979 and 1983 (10). Participation in vision care increased from 17 to 27 percent.

Employers are the major conduit through which most families carry health insurance. In 1982, 58.4 percent of all U.S. households had one or more members with employer- or union-provided group health insurance (table 4). Middle-income households especially are likely to depend on employer-provided group health insurance to meet their medical expenses. For example, more than 80 percent of persons living in families in the $20,000 to $60,000 annual income range were covered by employer-provided insurance in 1979 (3).

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[5]There has been a slight decline in the percentage of employees in medium and large firms covered by noncontributory plans since 1979 (4, 10). This is perhaps an attempt to control rising benefit costs associated with health care.

Pension plans, including government plans and private profit-sharing ones, are the single largest component of nonwage benefits. When the costs of these plans are combined with the employer costs of social security they account for more than 10 percent of compensation.

Private pension plans grew from 1.1 percent of compensation in 1950 to 3.7 percent in 1983. At the same time, government pensions grew at a slightly slower pace from 0.7 to 1.8 percent of total compensation. While the costs of pension plans have continued to rise in recent years, the extent of coverage among workers has declined slightly from 44.5 percent in 1979 to 43.8 percent in 1982. Similarly, there has been a decline in the percentage of workers covered in noncontributory plans; that is, more workers are sharing the costs of their pension plans.

As with health insurance, the extent of coverage is much greater among full-time than part-time workers (62.2 percent versus

Table 3. *Workers covered by employer- or union-provided nonwage employee benefits, by level of work force activity, 1979 and 1982*

Work force activity	Health insurance		Pension	
	1979	1982	1979	1982
	Persons in millions			
All covered workers	65.0	65.9	47.6	46.8
Full-time	61.0	61.4	45.1	43.9
Full-year	48.3	48.5	37.3	36.3
Part-year	12.7	12.9	7.8	7.6
Part-time	3.9	4.5	2.5	2.9
Full-year	NA	NA	1.3	1.6
Part-year	NA	NA	1.2	1.3
	Percentage of work force covered at each level of work force activity			
All workers	60.7	61.6	44.5	43.8
Full-time	72.5	74.3	53.6	53.1
Full-year	81.2	83.0	62.7	62.2
Part-year	51.6	53.3	31.7	31.4
Part-time	17.0	18.5	10.9	11.9
Full-year	NA	NA	16.7	18.8
Part-year	NA	NA	7.9	8.3

NA = Not available.

Sources: U.S. Department of Commerce, Bureau of the Census, 1984, Characteristics of households and persons receiving selected noncash benefits, 1982, Current Population Reports, Consumer Income, Series P-60, No. 143. U.S. Department of Commerce, Bureau of the Census, 1982, Characteristics of households and persons receiving selected noncash benefits, 1980 (with comparable data for 1979), Current Population Reports, Consumer Income, Series P-60, No. 131.

18.8 percent, respectively) among those who worked the full year in 1982. Pension coverage is also more prevalent in medium and large firms than in the work force as a whole. In the BLS survey, 87 percent of the full-time workers were covered in 1979 and 82 percent were covered in 1983.

Since 1979 not only has there been a decline in the percentage of the work force covered by pension plans, there has also been a decline in the percentage of households with one or more members with an employer-provided plan (table 4). Offsetting this trend, however, is an increasing percentage of young workers in covered employment. These workers will have many years to establish pension entitlement.

Consequently, a growing number of workers in the future will rely on employer-provided pensions for financial security in retirement. The Employee Benefits Research Institute projects that 71 percent of families with workers 25 to 34 years of age in 1979 will receive pension benefits when thay are 65 (6). The percentage of households that will receive benefits at age 65 declines with each successive age cohort--65 percent of those with workers 35 to 44 years of age, 52 percent of those with workers 45 to 54, and 37 percent of those with workers 55 to 64.

Life insurance is a widely provided growing, but somewhat small, component of nonwage compensation. In 1950 life insurance accounted for 0.2 percent of total compensation; by 1983 that percentage doubled to 0.4 percent. In 1983, 96 percent of employees in medium and large firms surveyed by BLS were provided group life insurance. In most cases coverage was based on earnings, typically one or two times annual salary. Professional and administrative workers were more likely than were production workers to have earnings-based, rather than flat dollar amount, life insurance plans (10).

In addition to health insurance, pensions, and life insurance, there are other benefits available to some workers, including prepaid legal services, employer-provided transportation to and from work, parking, tuition assistance, child care services, employee discounts, and recreation facilities. As a percentage of total compensation, these benefits have not increased since 1950. These types of benefits are likely to grow in importance in the near term, however, as employers work to reduce benefit costs and

Table 4. *Households receiving nonwage employee benefits, 1979-82*

Benefit	1979	1980	1981	1982
	Percentage of all households			
Households with 1 or more members with an employer- or union-provided group health insurance plan[1]	58.1	59.3	59.0	58.4
Households with 1 or more members with an employer- or union-provided pension plan	47.1	46.5	45.6	44.7

[1]Includes only workers with health insurance paid in part or full by employer or union.

Sources: Tabulated from data presented in U.S. Department of Commerce, Bureau of the Census, 1984, Characteristics of households and persons receiving selected noncash benefits, 1982, Current Population Reports, Series P-60, No. 143; U.S. Department of Commerce, Bureau of the Census, 1982, Characteristics of households and persons receiving selected noncash benefits, 1980 (with comparable data for 1979), Current Population Reports, Series P-60, No. 131.

respond to the changing characteristics of the work force, especially working mothers. Other innovations, such as the development of "cafeteria" plans that allow employees to individualize their own benefits package from an array of benefits, also suggest the growth of these types of benefits.

ISSUES

Employee benefits have grown more rapidly since 1950 than wages and salaries. Expanded benefits have improved the income security of workers and retirees and promoted access to health care. At the same time, this growth has reduced the portion of total compensation over which workers have control. This raises questions of how to define worker's income when a large portion of it is in nonmoney form, as well as concern about the efficiency and equity of the compensation system. These and related questions have important policy implications.

Employee Benefits and Income Tax

Income and payroll taxes are the primary sources of revenue used in the United States to finance Federal Government programs and social security. Income is assumed to measure access to economic resources, and thus is considered a fair basis on which to contribute to the cost of Government. To assure that taxpayers with equal access to resources pay equal taxes, income must be comprehensively defined to include earnings from all sources and in all forms. Although the U.S. Internal Revenue Code defines income broadly, many nonmoney sources of income, such as certain employee benefits, are excluded by statute, judicial ruling, or administrative practice (5).

Growth in employee benefits poses two potential problems for an income tax-based revenue system. First, growth in nontaxable benefits may erode the taxable income base, reducing the public sector's ability to finance programs. As a result, marginal tax rates may need to be increased. Second, if nontaxable benefits are distributed unequally across groups of employees, growth in these benefits may redistribute the tax burden across the population.

Munnell (5) calculates that exclusion of contractual nonwage compensation from the tax base resulted in the loss of $64 billion in tax receipts in 1983. This was equivalent to 22 percent of personal income tax receipts. If these benefits were taxed, rates could have been reduced 18 percent to generate the same revenue. Munnell also argues that employee benefits are concentrated among high-income employees, and that regardless of concentration, tax exempt and deferred status of benefits favors high-income earners in high marginal tax brackets. All taxpayers must pay higher tax rates while low-income employees reap few benefits from tax-favored employee benefits.

Others argue that tax incentives have been an effective way to encourage employers to efficiently provide benefits that might otherwise be a social cost. Further, groups such as the Employee Benefits Research Institute suggest that revenue losses from tax-favored status of benefits have been overstated. They note that only about half of all tax-favored benefits are tax exempt. The others, such as pensions, are tax deferred. Similarly, they note that with high participation in major benefit programs, such as pensions and health insurance, employee benefits are distributed widely among workers at all income levels. For example, Schieber and George (7) estimate that in 1979, 75 percent of all workers with pension plans earned less than $20,000.

As policymakers review alternative ways to reduce the Federal deficit, taxation of employee benefits is likely to come under close scrutiny. In March and July of 1984 congressional hearings were held to discuss limiting the tax favored status of "cafeteria" plans and other new employee benefit arrangements.

Employee Benefits and Financial Planning

Growth in employee benefits means that an increasing portion of what many workers earn comes to them in noncash or deferred forms of compensation. Often employees have little say in the types and characteristics of benefits associated with their jobs. Nonetheless, these benefits, particularly health insurance and retirement income, may

be the cornerstones of individual and family financial security. Workers need to periodically review and evaluate total compensation in relation to their short-term financial needs and long-term goals.

As families have come to depend on employment for the provision of services as well as money income, unemployment has come to have consequences beyond the loss of a paycheck. In 1982, when the unemployment rate peaked at 10.9 percent in December, 22 percent of all those in the labor force experienced unemployment sometime during the year (11). Unemployment was especially high among production workers, the group of employees most likely to be covered by health insurance. As many as 6 million households may have been without health insurance sometime in 1982 as the result of unemployment. Legislation requiring employers to continue health benefits 30 days after termination of employment has been proposed.

As noted earlier, a growing number of individuals and families currently depend, or will depend in the future, on employer-provided pensions as a major source of retirement income. For these workers, issues of benefit entitlement and pension management are critical in their financial planning. The 1974 Employee Retirement Income Security Act (ERISA) assures that pensions comply with Federal standards related to coverage, vesting, management, and disclosure in order to qualify for tax-favored status. Recently several additional issues have risen relating to pensions.

One issue concerns the costs and benefits of pensions provided for women workers. In the 1983 case of Norris v. Arizona Governing Committee for Tax Deferred Annuities and Deferred Compensation Plans, the U.S. Supreme Court ruled that employers cannot limit pension benefits on the basis of sex. This ruling has changed the payout schedules of some pensions and annuities and may result in growth in the number of lump-sum retirement benefits.

Pension benefits for spouses of workers continues to be an important issue. ERISA requires that tax-favored pension plans provide for annuities to spouses of deceased workers. Indeed, most private pension plans pay lifetime annuities to spouses equaling about two-fifths of worker's accrued benefits (1). Currently at issue is the question of pension rights of divorced spouses. Legislation defining their entitlement is pending.

One issue in employee benefits over-arches both aggregate tax concerns and family financial planning, that is, the question of choice in benefits. Preeminence of two-earner families, growth in the number of childless couples, and increasing numbers of single workers make standarized employee benefit plans obselete and, in some cases, inequitable. For example, when employers provide health insurance to worker's dependents, workers with dependents effectively receive more compensation than do workers unable to take advantage of this benefit. Similarly, two-earner families may receive redundant health insurance, child care benefits, or in some situations, offsetting pension benefits. In these cases, a significant portion of compensation can be lost.

In order to better meet their individual financial needs, more employees are demanding that benefits be flexible. This would provide workers with some control over what is a significant portion of their compensation. At the same time, as workers have more choice in benefits, the line between money income and nonwage compensation blurs, increasing the likelihood that these benefits will become part of taxable income.

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Surviving Spouse's Benefits In Private Pension Plans

A 1981 Bureau of Labor Statistics survey of employee benefits in medium and large companies indicated that 84 percent of employees were covered by private pension plans--79 percent under plans fully paid for by employers and 5 percent under plans where the employee pays part of the cost. Pension plans are not required by law, but once established, the Employee Retirement Income Security Act of 1974 (ERISA) requires that they provide for annuities to spouses of deceased employees. The requirements differ for death before and after retirement.

Survivors of Retirees

ERISA requires that pension plans include a "postretirement" spouse annuity option that pays a surviving spouse at least half of the pension paid to the retiree; the plan may also offer other higher or lower percentages. To offer the spouse annuity, the plan may reduce the pension paid to the retiree. This reduced annuity is called a "joint-and-survivor annuity." A married worker must be given an opportunity not to participate in a joint-and-survivor annuity (that is, not to accept a reduced annuity) although if he or she fails to elect another form of annuity, the joint-and-survivor option automatically becomes effective. Prior to enactment of ERISA, most plans provided survivor annuities only if the employee voluntarily chose the option at a specified time, such as 1 year before retirement. If a retiree did not act, the surviving spouse was not eligible for an annuity. Also, ERISA prohibits discontinuance of payments if a spouse remarries--a frequent provision before the law's passage.

All of the pension plans studied in 1981 provided for annuities to survivors of retirees. Ninety-four percent of plans offered spouse benefits in the form of joint-and-survivor annuities; the remaining plans offered a survivor benefit without a reduction in the original annuity, or some combination of plans. The vast majority of the joint-and-survivor plans offered a choice of options ranging from 25 to 100 percent of the pension paid prior to the employee's death. The smaller the percentage option selected the less the reduction in the retiree's pension.

Multiple options provide alternatives which might meet the needs of a married couple for either a higher immediate benefit to the retiree and spouse or a higher benefit later to the surviving spouse. The former alternative might be suitable if an employee is in good health or if the spouse has a separate pension. While the 100 percent survivor benefit would require a greater reduction for the retiree, it might be a more desirable choice for an employee in poor health or with alternative income sources.

Survivors of Active Workers

To cover spouses of employees who die before retirement, ERISA requires that a "preretirement" survivor annuity be available if the pension plan gives employees the option of retiring before the normal retirement age with a reduced lifetime annuity. A preretirement spouse's annuity must be available if a deceased worker was eligible for early retirement, was within 10 years of the plan's normal retirement age, and had been married at least 1 year. The minimum annuity is the amount the spouse would have received if the worker had retired just before death with early retirement benefits and had elected a joint-and-survivor option.

The 1974 law has had a significant effect on potential protection accorded spouses of active workers. In the summer of 1970, only 36 percent of 149 major pension plans provided for annuities to survivors of active workers; virtually all pension plans studied in the 1981 survey offered a preretirement spouse annuity. However, survivors were protected only if the employee had attained the required age, had the necessary length of service at the time of death, and had elected this coverage if there was an extra cost for this protection. In most plans, employees had to qualify for early retirement (generally age 55 with 10 or 15 years of service) before their spouses were eligible for survivor's coverage. Some plans had minimum age requirements that were more liberal than for early retirement; these plans could have required the same length of service as for early retirement. For example, a plan may provide a spouse's pension if death occurs at any age with 10 years of service, although early retirement is at age 55 with 10 years of service. A small number of plans had age requirements for the spouse's benefit more stringent than those for early retirement. These plans permitted retirement more than 10 years before the normal age but limited the spouse's annuity coverage to persons whose age was within 10 years of normal retirement, as allowed by ERISA.

Source: Bell, Donald, and Avy Graham, 1984, Surving spouse's benefits in private pension plans, Monthly Labor Review 107(4): 23-31, U.S. Department of Labor, Bureau of Labor Statistics.

Research Report—Energy Conservation

Approximately 22 percent of Idaho households surveyed in 1983 reported that their home had been audited for energy efficiency--up from 14 percent who reported an audit in a similar survey in 1981. This is a preliminary result from the second phase of Regional Project W-159, "The Consequences of Energy Conservation Policies for Western Region Households." When asked their reasons for not having an audit, the 78 percent who had not done so gave lack of money and lack of information as the two most important reasons. Sixty-five percent of households indicated they felt their utility would be a good source of information, but 52 percent reported the information they had received was inadequate. Greater than 85 percent said county extension agents, skilled craftspeople, and short courses and workshops would be good guides for information. The areas where households indicated the greatest need for information were home weatherization and audit programs, heat pumps, and solar-assisted and earth-sheltered housing. Ninety percent or greater responded that they had already seen helpful information about insulation, storm doors and windows, and weatherstripping and caulking. Renters, the elderly, and low-income groups tended to participate in energy audit programs less often than homeowners, younger age groups, and those in middle or higher income groups.

Source: Report submitted by Joann Jones and Virginia Junk, University of Idaho, Moscow. More detailed results may be obtained by writing to the above in Moscow, ID 83843, or from Carole J. Makela, Chair of Regional Committee, College of Home Economics, Colorado State University, Fort Collins, CO 80523.

Continuing Survey of Food Intakes by Individuals

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A major change in the scope of USDA's food consumption surveys will occur in 1985 when a continuing survey of food intakes will be initiated to provide continuous data on the dietary adequacy of the general population and subpopulation groups who may be at high nutritional risk. The ability to forecast early potential nutritional problems will allow policymakers to formulate sound policies and programs with respect to nutrition and food intervention, consumer education, food fortification, and so forth. Continuous, up-to-date information on food consumption practices and dietary adequacy of the population will improve nutritional responses to economic change, health promotions, and other factors affecting food intake.

The continuing survey to be started in 1985 will consist of a core monitoring group--a nationally representative sample of women at all income levels who are 19 through 50 years of age, and of all children of those women who are 1 through 5 years of age. The survey will also include a nationally representative sample of low-income women 19 through 50 years of age, and of all children of those women who are 1 through 5 years of age. In both samples, women with children 1 through 5 years old will be oversampled to increase the number of children in the sample.

The continuing survey contains the basic features of the individual intake component of the 1977-78 Nationwide Food Consumption Survey (NFCS).[1] The 24-hour recall of food intake which will be used in the continuing survey is the same used to obtain the first of 3 days' intakes in the 1977-78 NFCS individual component. The data to be collected are specific and detailed. As in 1977-78, they will include the following:

- A description of all foods and beverages eaten including all food eaten at each occasion, beginning at midnight the previous day. For the recall, the interviewer will help the respondent start with the first time something was eaten, and then will allow the respondent to remember what was eaten during the day--probing as necessary to complete descriptions and check for omissions.
- The quantities of foods and beverages eaten reported in common household measures, dimensions, number of units, or weights. Measuring cups, spoons, and other aids will be provided to each household to help visualize quantities.
- The source of each food obtained through structured questions. Sources include (1) food from home supplies that was eaten at home, (2) food from home supplies that was eaten away from home, (3) food eaten at someone else's home, and (4) food both obtained and eaten away from home. For food eaten away from home, information will be requested about the place where the food was obtained and the type of service.
- Eating occasions identified by the time they began. The respondent will also be asked what each eating occasion is usually called and with whom the food was eaten.
- General questions about diet and health. Each individual will be asked if the day's intake was typical and, if not, why. Additional questions, or information requested, will include the following data: Self-reported height and weight; if on a special diet, what kind; if vitamin and/or mineral supplements are used, a description of types; and self-reported health status and physical handicaps.

The continuing survey differs from the 1977-78 NFCS in certain data collection procedures that are designed to obtain higher quality data. For example, the 1977-78 individual intake component of the NFCS consisted of a 24-hour recall followed by a 2-day food diary; in the continuing survey,

[1]For more detailed information on the 1977-78 NFCS see "The 1977-78 Nationwide Food Consumption Survey," by Robert L. Rizek, Family Economics Review, fall 1978, pp. 3-7.

up to 6 days of dietary intake will be obtained from each respondent over a 1-year period. Initially each respondent will be contacted personally by the interviewer for the initial 24-hour recall. Subsequent contacts--approximately every 2 months--will be by telephone, if possible, or by personal interview if the respondent does not have a phone. Expanding to six 24-hour recalls over a year is an attempt to measure the respondent's usual intake more adequately.

Information to be obtained in the continuing survey, that was not included in the 1977-78 NFCS, includes the following:

- Whether or not fat was used in preparing the food eaten and, if so, the type of fat.
- Whether or not salt was used in preparing the food before it was served.
- The brand name of the food or beverage, if applicable.
- The form of the food or beverage when it entered the home; for example, frozen, canned, fresh, and so forth.
- The type of container/package the food/drink was in; for example, metal, foil, glass, plastic, and so forth.
- Whether or not the respondent smokes and, if so, what and how much.
- The usual level of physical activity in leisure time and/or in housework as well as in place of employment.

As in the 1977-78 NFCS, demographic and socioeconomic data will be obtained from each household. The following data will be included:

- Education.
- Employment--occupation and hours worked.
- Household income and source of income.
- Program participation in, for example, food stamp and WIC programs.[2]
- Self-evaluation of the adequacy of the household food and, if inadequate, why.
- Usual amount spent for food at home.
- Usual amount spent for food bought and eaten away from home.

The continuing survey is a major activity undertaken to implement the comprehensive National Nutrition Monitoring System plan of 1981.[3] It is responsive to recommendations made by the President's Task Force on Food Assistance about steps that should be taken to improve information on the nutritional well-being of the American population. The survey also reflects the consensus on data needs from the 1983 conference of users of food consumption survey data conducted by the Food and Nutrition Board, National Academy of Sciences; and results from USDA methodological studies.

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[2]Special Supplemental Food Programs for Women, Infants, and Children; Food and Nutrition Service, USDA.

[3]See "National Nutrition Monitoring System" by Betty B. Peterkin and Robert L. Rizek, Family Economics Review 1984(4): 15-19.

Poverty Thresholds and Poverty Guidelines

> Several recent articles in Family Economics Review (FER) have provided additional detail on changes in poverty measures. For further information on projected poverty thresholds for 1984, see "Economic Outlook for Families--1984" by Colien Hefferan, FER 1984(2): 12-19. For further information on poverty rates for farm and nonfarm families, see "Income and Poverty Rates: Farm and Nonfarm Residence" by Kathleen K. Scholl, FER 1983(1):16-19.

The responsibility for defining and measuring poverty and using poverty measures is divided among several Federal agencies. The U.S. Office of Management and Budget (OMB) is authorized by Congress to define the official poverty line or thresholds; it also issues directives for the collection of poverty statistics. The U.S. Bureau of the Census, operating under the OMB directives, collects data and publishes the poverty thresholds which are used for statistical purposes, such as determining the number of persons in poverty and their demographic characteristics. The Census Bureau's poverty thresholds for a given year are generally

not available until the second half of the following calendar year because of data collection and publication schedules. To avoid using 2-year-old thresholds in assistance programs that have poverty status as a criterion, the U.S. Department of Health and Human Services (HHS) is responsible for issuing and annually revising the Federal poverty income guidelines, which are simplified versions of the poverty thresholds. These poverty guidelines are used by various Federal agencies for administrative purposes, such as determining whether a person or family is financially eligible for assistance under a particular Federal program.

HHS uses a procedure to compute revised poverty income guidelines which multiplies the official poverty thresholds by the percentage change in the Consumer Price Index (CPI). To compute the 1984 poverty guidelines, the 1982 statistical poverty thresholds were increased by the proportional amount of the 1982-83 increase in the CPI, rounded, then the steps between the adjacent guideline figures equalized. This means that the 1984 administrative poverty guidelines will be approximately equal to the 1983 statistical poverty thresholds, since the annual average CPI for a given year is not available until after that year ends. The 1984 poverty guidelines and the figures used to compute them are shown in the table.

The distinction between poverty guidelines for farm and nonfarm families was eliminated in 1981 as a result of a technical change in the Census Bureau's official definition of poverty. The guidelines in the table are applicable to farm and nonfarm families.

A number of Federal programs use the poverty income guidelines as an eligibility criterion, including the following: Head Start, Community Services Block Grant, and Low-Income Home Energy Assistance (HHS); Food Stamps and the National School Lunch Program (USDA); Upward Bound, Talent Search, and Educational Opportunity Centers (U.S. Department of Education); Weatherization Assistance for Low-Income Persons (U.S. Department of Energy); Job Corps (U.S. Department of Labor); and Legal Services for the Poor (U.S. Legal Services Corporation).

Source: Fisher, Gordon M., 1984, The 1984 Federal poverty income guidelines, Notes and Brief Reports, Social Security Bulletin 47(7):24-27.

Computations for the 1984 annual revision of the poverty income guidelines for the contiguous States and the District of Columbia

Size of family unit (1)	Poverty thresholds in 1982 (weighted averages) (2)	Column 2 multiplied by 1.0322 price inflator (3)	Difference between column 3 entries (4)	Average difference in column 3 (5)	February 1984 guidelines (6)
1	$4,901	$5,059			$4,980
2	6,281	6,483	$1,424	$1,740	6,720
3	7,693	7,941	1,458	1,740	8,460
4	9,862	10,180	2,239	1,740	10,200
5	11,684	12,060	1,880	1,740	11,940
6	13,207	13,632	1,572	1,740	13,680
7	15,036	15,520	1,888	1,740	15,420
8	16,719	17,257	1,737	1,740	17,160

Source: Fisher, Gordon M., 1984, The 1984 Federal poverty income guidelines, Notes and Brief Reports, Social Securtiy Bulletin 47(7):24-27.

Households and Families, March 1983

In 1983 about 73 percent of the 83.9 million households in the United States were composed of families (persons related to the householder by birth, marriage, or adoption). Married-couple families accounted for 60 percent of households, families headed by males (no wife present) accounted for 2 percent, and famiies headed by females (no husband present) for 11 percent. The remaining 27 percent were nonfamily households--persons either living alone or with nonrelatives (table 1).

Black households were just as likely as white households to be composed of families. However, black households were less likely than white households to be married-couple families and considerably more likely to be female-headed families. Black households were also more likely than white households to include own children.

About 72 percent of family householders (the person who owns or rents the living quarters) had completed at least 4 years of high school, and 20 percent had completed 4

Table 1. ***Households, by type, presence of children, and race, 1983***

[Numbers in thousands]

Type of household	All households		White		Black	
	Number	Percent	Number	Percent	Number	Percent
Total households	83,918	100.0	73,182	100.0	8,916	100.0
Family households	61,393	73.2	53,407	73.0	6,530	73.2
With own children under 18	30,818	36.7	26,006	35.5	3,890	43.6
Without own children under 18	30,575	36.4	27,401	37.4	2,639	29.6
Married-couple family	49,908	59.5	45,252	61.8	3,486	39.1
With own children under 18	24,363	29.0	21,701	29.7	1,901	21.3
Without own children under 18	25,544	30.4	23,550	32.2	1,585	17.8
Other family, male householder	2,016	2.4	1,648	2.3	309	3.5
With own children under 18	737	0.9	598	0.8	127	1.4
Without own children under 18	1,279	1.5	1,050	1.4	182	2.0
Other family, female householder	9,469	11.3	6,507	8.9	2,734	30.7
With own children under 18	5,718	6.8	3,707	5.1	1,862	20.9
Without own children under 18	3,751	4.5	2,800	3.8	872	9.8
Nonfamily households	22,525	26.8	19,776	27.0	2,386	26.8
Living alone	19,250	22.9	16,902	23.1	2,056	23.1
With nonrelatives	3,275	3.9	2,874	3.9	330	3.7

Source: U.S. Department of Commerce, Bureau of the Census, 1984, Household and family characteristics, March 1983, Current Population Reports, Population Characteristics, Series P-20, No. 388.

or more years of college. Among female family householders, 63 percent had completed at least 4 years of high schoool, but only 9 percent had graduated from college. Black female householders maintaining one-parent families were the least likely to have graduated from college (3 percent).

Family householders (72 percent) were more likely than nonfamily householders (45 percent) to be homeowners. The proportion of owners tended to increase with age until age 65, after which it declined due to changes in living arrangements. For example, the proportion of owners was 10 percent for the 15-to-19 age group, 66 percent for the 35-to-39 age group, and 81 percent for the 55-to-64 age group. After age 64, ownership dropped to 77 percent for the 65-to-74 age group and to 72 percent for persons 75 years of age and over.

Since 1980 the net annual increase in the number of households averaged about 1.0 million per year, compared with 1.6 million per year between 1970 and 1980. Much of the drop in the level of annual increase in households is attributed to persons under 35 years of age; changes in economic conditions and the social climate may have discouraged the formation of new households, particularly among young adults. Since 1980 more adult children have been living at home with their parents, and many young adults have been postponing marriage to pursue educational and career goals. In addition, divorce rates for Americans have stabilized.

In 1983 there were 31.2 million families with their own children under 18 years old (table 2). About 22 percent of these families were headed by a single parent, up from 11 percent in 1970. Between 1970 and 1983 families with children have increased. However, only one-parent families contributed to the increase since two-parent families actually declined during the same period. Although the majority of one-parent families continued to be maintained by mothers, the proportion of one-parent families maintained by mothers increased at a slower rate than that maintained by fathers. In 1983 about 52 percent of black families with own children were single-parent families, up from 33 percent in 1970. In contrast, 17 percent of white families with own children were single-parent families in 1983, up from 9 percent in 1970.

Table 2. *Families with own children under 18 years old, percent change, 1983 and 1970*
[Numbers in thousands]

Type of family (all races)	1983		1970		1970-83
	Number	Percent	Number	Percent	Percent change
All families with own children	31,158	100.0	28,812	100.0	8.1
2-parent families	24,371	78.2	25,541	88.6	-4.6
1-parent families	6,787	21.8	3,271	11.4	107.5
Maintained by mother..........	6,040	19.4	2,926	10.2	106.4
Maintained by father...........	747	2.4	345	1.2	116.5

Source: U.S. Department of Commerce, Bureau of the Census, 1984, Household and family characteristics, March 1983, Current Population Reports, Population Characteristics, Series P-20, No. 388.

Cost of Food at Home

Cost of food at home estimated for food plans at 4 cost levels, October 1984, U.S. average[1]

Sex-age group	Cost for 1 week				Cost for 1 month			
	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES								
Family of 2:[2]								
20-50 years	$36.50	$45.90	$56.50	$69.50	$158.30	$198.90	$244.60	$301.50
51 years and over	34.50	43.80	53.90	64.10	149.60	190.00	233.20	278.00
Family of 4:								
Couple, 20-50 years and children--								
1-2 and 3-5 years	53.20	65.90	80.50	98.10	230.30	286.00	348.30	425.00
6-8 and 9-11 years	61.00	77.60	96.90	116.10	264.40	336.40	419.70	503.50
INDIVIDUALS[3]								
Child:								
1-2 years	9.60	11.50	13.40	16.10	41.50	50.00	58.10	69.60
3-5 years	10.40	12.70	15.70	18.80	44.90	55.20	67.80	81.30
6-8 years	12.70	16.80	21.00	24.50	55.10	72.80	91.10	106.30
9-11 years	15.10	19.10	24.50	28.40	65.40	82.80	106.20	123.10
Male:								
12-14 years	15.80	21.70	27.00	31.70	68.50	94.00	117.00	137.30
15-19 years	16.50	22.60	27.80	32.20	71.40	97.80	120.50	139.70
20-50 years	17.50	22.20	27.80	33.30	75.80	96.30	120.30	144.50
51 years and over	15.90	21.00	25.80	30.80	68.80	91.10	111.60	133.40
Female:								
12-19 years	15.70	18.80	22.70	27.30	68.20	81.40	98.30	118.40
20-50 years	15.70	19.50	23.60	29.90	68.10	84.50	102.10	129.60
51 years and over	15.50	18.80	23.20	27.50	67.20	81.60	100.40	119.30

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for the thrifty food plan were computed from quantities of foods published in Family Economics Review, 1984 No. 1. Estimates for the other plans were computed from quantities of foods published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics (CPI Detailed Report, table 3) to estimate the costs for the food plans.

[2]10 percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7- or more-person--subtract 10 percent.

Consumer Prices

Consumer Price Index for all urban consumers [1967 = 100]

Group	Oct. 1984	Sept. 1984	Aug. 1984	Oct. 1983
All items	315.3	314.5	313.0	302.6
Food	304.4	304.2	304.8	292.9
Food at home	293.4	293.4	294.4	282.3
Food away from home	336.6	335.8	335.5	323.9
Housing	341.2	341.4	339.5	326.8
Shelter	367.8	366.5	364.6	349.8
Rent, residential	253.8	252.4	251.1	240.4
Fuel and other utilities	392.4	397.0	395.5	374.4
Fuel oil, coal, and bottled gas	626.8	622.1	625.5	624.7
Gas (piped) and electricity	456.0	466.4	463.9	435.6
Household furnishings and operation	244.3	244.1	242.2	239.4
Apparel and upkeep	205.7	204.2	200.1	200.7
Men's and boys'	197.6	195.6	192.6	192.1
Women's and girls'	172.2	170.5	163.1	168.6
Footwear	212.9	211.1	207.7	208.6
Transportation	315.5	313.7	312.9	305.0
Private	310.2	308.4	307.5	200.4
Public	391.1	389.5	390.8	368.2
Medical care	385.5	383.1	381.9	362.9
Entertainment	258.3	257.3	256.4	249.1
Other goods and services	315.8	314.6	307.2	296.8
Personal care	274.7	273.6	272.6	263.3

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Index of Articles in 1984 Issues

Current Population Reports

The following Current Population Reports in the "Consumer Income and Special Studies" areas have been issued by the U.S. Bureau of the Census:

- Earnings in 1981 of Married-Couple Families, by Selected Characteristics of Husbands and Wives; Series P-23, No. 133.
- Money Income of Households, Families, and Persons in the United States: 1982; Series P-60, No. 142.
- Money Income and Poverty Status of Families and Persons in the United States: 1983 (Advance Data from the March 1984 Current Population Survey); Series P-60, No. 145.
- After-Tax Money Income Estimates of Households: 1982; Series P-23, No. 137.

Some New USDA Publications

The following are for sale from the National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, VA 22161.

- NONMETRO AREAS GAIN IN NEW HOUSING MARKET. February 1984. PB 84 129089. $7.
- HOUSEHOLD EXPENDITURES FOR FRUITS, VEGETABLES, AND POTATOES. February 1984. PB 84 193739. $8.50.

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